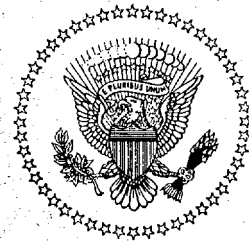


# **IMPROVEMENT of Financial Management in The Federal Government**

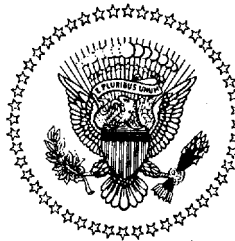


---

**EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET**

*October 1956*

# **IMPROVEMENT of Financial Management in The Federal Government**



**EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET**

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. . . . . Price 35 cents

IMPROVEMENT OF FINANCIAL MANAGEMENT  
IN THE FEDERAL GOVERNMENT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
Background .....	2
Current Developments .....	3
Improvement Objectives .....	4
Congressional Action .....	5
PATTERN OF IMPROVEMENT EFFORT .....	6
Accounting on an Accrual and Cost Basis .....	7
Budgeting on a Cost Basis .....	8
Use of Consistent Classifications .....	10
Justification Data by Organization .....	10
Simplification of Allotment Structure .....	11
Other Phases of Improvement Effort .....	12
RESPONSIBILITIES AND ASSISTANCE .....	12
APPENDIX I - Recommendations of the second Commission on Organization of the Executive Branch of the Government on Budget and Accounting .....	13
APPENDIX II - Exchange of Correspondence between the President and the Director of the Bureau of the Budget on the budget and accounting recommendations of the second Commission on Organization of the Executive Branch of the Government .....	18
APPENDIX III - Communication from the President to the Congress transmitting a proposed supplemental appropria- tion for fiscal year 1957 for the Bureau of the Budget .....	29
APPENDIX IV - Message from the President to the Congress relating to the budget and accounting recommendations of the second Commission on Organization of the Executive Branch of the Government .....	32
APPENDIX V - Public Law 798 - 84th Congress, an Act to simplify accounting, facilitate the payment of obli- gations, and for other purposes .....	34
APPENDIX VI - Public Law 863 - 84th Congress, an Act to improve governmental budgeting and accounting methods and procedures, and for other purposes .....	38
APPENDIX VII - Statement by the President on S. 3897, a bill to improve governmental budgeting and accounting methods and procedures, and for other purposes .....	40
APPENDIX VIII - Illustrations of cost-based budget presentations for appropriations where cost data are available .....	41

IMPROVEMENT OF FINANCIAL MANAGEMENT IN THE FEDERAL GOVERNMENT

Introduction

In recent years, the financial management practices of the Federal Government have been given increasing attention and study by the executive agencies and the three central agencies -- the General Accounting Office, the Bureau of the Budget, and the Treasury Department -- under the Joint Program for Improving Accounting. In addition, the recent (Hoover) Commission on Organization of the Executive Branch of the Government conducted a critical appraisal of existing practices that resulted in a series of recommendations for further development of financial management in Government.

Those recommendations were contained in the Budget and Accounting Report submitted to the Congress by the Commission in June 1955. Major proposals in that Report suggested strengthening the managerial and budgeting functions of the Bureau of the Budget, placing additional emphasis on the accounting functions of the Bureau and the executive agencies, and broadening the development and use of costs in the financial affairs of Government. Other recommendations were directed toward related improvements in budgeting, accounting, and reporting practices. A complete list of the Commission's recommendations in the Budget and Accounting Report is provided in the appendices. (See Appendix I.)

The proposals of this second Hoover Commission, in effect, represented a broad endorsement of the objectives and activities of the Joint Accounting Program. Presented against a background of the progress made in recent years, they identified problems which should be given priority attention at this time. The central agencies in the Joint Accounting Program are now taking steps in accordance with those proposals.

Of these central agencies, the Bureau of the Budget is most directly affected by the recommendations of the second Hoover Commission. Since those proposals were made, the Bureau has taken positive action toward implementation of the recommendations. It is the purpose of this pamphlet to relate these actions to existing practices, and discuss plans for further development and improvement as they affect agencies throughout the Government.

Background

Basic legislation pertaining to the Bureau of the Budget is contained in the Budget and Accounting Act, 1921. This Act established the Bureau and identified its basic budget and management functions. In relation to those assigned functions, the Act of 1921 placed responsibility in the Bureau, when directed by the President, for making detailed studies of agency organization, activities, and business methods that would enable more efficient and economical operations. Executive Order No. 8248 of September 8, 1939, outlined the continuing responsibilities of the Bureau of the Budget in these fields.

With the advent of the Joint Accounting Program in 1948, the Bureau established a staff unit to carry out the responsibilities of the Director of the Bureau of the Budget under the joint program. This was a relatively small operation in which primary emphasis was placed on coordinating the Bureau's budget and management activities with developments in the improvement of accounting and financial reporting under the Joint Accounting Program.

The Budget and Accounting Procedures Act of 1950 more specifically identified the accounting role of the Bureau of the Budget. That Act expressed the intent of Congress that maintenance of accounting systems and development of financial reports were the responsibility of the executive branch; that emphasis should be placed on effecting orderly improvements toward more effective financial management practices; and that the Treasury Department, the General Accounting Office, and the Bureau of the Budget should conduct a continuous program for the improvement of accounting and financial reporting.

It specified that "the accounting of the Government provide . . . adequate financial information needed in . . . the formulation and execution of the Budget"; that the accounting systems of the various agencies should be designed to provide "reliable accounting results to serve as the basis for preparation and support of the agency's budget requests, for controlling the execution of its budget, and for providing financial information required by the Bureau of the Budget"; and that the central financial reports of the Government to be prepared by the Treasury Department should include "such financial data as the Director of the Bureau of the Budget may require in connection with the preparation of the Budget or for other purposes of the Bureau."

In addition, the Budget and Accounting Procedures Act of 1950 authorized and directed the President, through the Bureau of the Budget, to evaluate and develop improved plans for the organization, coordination, and management of the executive branch of the Government with a view to efficient and economical service.

Current Developments

The Budget and Accounting Report of the second Hoover Commission gave recognition to the value of the Joint Accounting Program and the improvements that had been made by the executive agencies in the conduct of their financial affairs. It recognized the cooperative assistance furnished by the General Accounting Office to the agencies, and stressed the need for greater stimulation of agency improvements within the executive branch. In this connection, it noted the comparatively limited participation of the Bureau of the Budget in this joint effort, and emphasized this need by recommending a strengthening of the Bureau's participation and the establishment of a new staff Office of Accounting to provide the leadership required.

The latter proposal was intended to emphasize the accounting role of the Bureau of the Budget, to establish responsibility for accounting improvements in close proximity to existing responsibilities for budgetary improvements, and to give the accounting function increased stature in the executive branch. To insure the desired results, the Commission proposed that the new Office of Accounting be headed by an Assistant Director for Accounting, who would be given responsibility for developing and carrying out a comprehensive plan for accounting and reporting, and for assisting executive agencies in the introduction of modern accounting methods and the development of competent accounting and auditing organizations.

After extensive evaluation and consideration of the Commission's budget and accounting proposals throughout the executive branch, the Director of the Bureau of the Budget developed plans for putting those recommendations into effect. As a first step, the accounting improvement staff in the Bureau were placed in an Office of Accounting under an Assistant Director, who was given responsibility for providing the desired leadership in this effort. The President approved these plans, as reflected in his correspondence with the Director of the Bureau on this subject. (See Appendix II.)

On May 10, 1956, the President transmitted to the Speaker of the House of Representatives a request for a supplemental appropriation to enable the Bureau of the Budget to carry out the recommendations of the second Hoover Commission for further improvement in executive branch budgeting, accounting, and management generally. In recognition of his responsibilities under section 104 of the Budget and Accounting Procedures Act of 1950, the President stated: "Expansion of the staff resources of the Bureau of the Budget is needed in order that the Bureau may provide, on my behalf, more active central leadership in the advancement of administration in the executive agencies." (See Appendix III.)

With the supplemental funds appropriated, additional staff have been obtained for the Office of Accounting, to make a start toward the type of program visualized by the second Hoover Commission. Experience accumulated in the initial phase of this program will be used as the basis for further development according to the identified need.

The accounting staff of the Bureau will continue to work closely with the staff of the Bureau of the Budget that are responsible for the budget and management functions. This will serve to insure appropriate coordination of related requirements and the development of properly integrated budget and accounting systems. The additional staff facilities of the Bureau of the Budget will enable increased emphasis on working with the executive agencies in their developmental efforts.

Financial management improvement efforts will continue to be carried out within the framework of the Joint Accounting Program. This program was initiated originally to give recognition to the need for joint action in the accounting field by the executive and legislative branches, and to avoid the jurisdictional conflicts that had arisen in previous attempts to effect improvements. Considerable progress has been made in this cooperative effort in recent years, and the additional staff facilities in the Bureau of the Budget are intended to provide greater executive branch participation and thus enable more rapid accomplishment of the stated objectives of the joint program.

#### Improvement Objectives

Financial management objectives have been identified and defined as a result of cooperative efforts in recent years toward the use of improved budgeting, accounting, and reporting practices. They are reflected in the fundamental concepts of the Joint Accounting Program, in the principles and standards prescribed by the Comptroller General, and in the instructions of the Bureau of the Budget and the Treasury Department. These principles, standards, and instructions, which may be restated from time to time as experience indicates, will be used as guides by the Bureau of the Budget in carrying out its assigned functions.

The second Hoover Commission's Budget and Accounting Report endorsed these objectives by presenting recommendations that were consistent with current improvement efforts. The evaluation and analysis of these proposals in the executive branch resulted in the general acceptance of most of the recommendations or their objectives, with the recognition, however, that complete implementation of these recommendations necessitated a long-range program because of the basic nature of many of the changes to be made.

Based on this analysis, the President recognized this Report as a document of great public significance. In his letter to the Director of the Bureau of the Budget on April 26, 1956 (see Appendix II), the President expressed his desire that the executive agencies intensify their efforts along these lines. In this and his related message to the Congress on May 10, 1956 (see Appendix IV), the President noted that executive branch efforts on many of these proposals would require close coordination with the legislative branch, and urged early congressional enactment of appropriate legislative proposals.

#### Congressional Action

The Congress gave evidence of its interest in these recommendations by the many bills that were introduced and the full hearings that were held on the subject of budget and accounting improvements. Early in the second session of the 84th Congress, identical bills were introduced in each House covering the Commission's recommendations which were considered to need legislation for effective implementation. These bills covered 16 of the recommendations -- those on financial organization, central accounting and reporting, accounting and budgeting on a cost basis, allotment and accounting improvements, consistent financial and organization classification, internal auditing, and the location of Bureau personnel in the agencies.

The hearings made clear the need for administrative flexibility on some of the recommendations involved, with the result that the initial legislative proposals were superseded by revised bills which would provide legislation consistent with the implementation plans of the executive branch. At the hearings on one of the revised bills (S. 3897, subsequently Public Law 863), the Comptroller General and the Director of the Bureau of the Budget strongly endorsed the proposed legislation in their testimony and urged its speedy enactment. They indicated that improved financial administration could not be accomplished solely by legislation, but that the proposed bill would be helpful in establishing congressional policy, and in creating a framework for more rapid progress in Government-wide improvement efforts. The Secretary of the Treasury submitted a letter that indicated his complete support of the objectives of the Commission's recommendations, and pointed out that the bill would enable agencies to move forward in a vigorous improvement program.

As a result of these legislative considerations, two public laws related to the proposals of the second Hoover Commission were enacted. The first of these -- Public Law 798 (see Appendix V) -- was signed by the President on July 25, 1956. As originally introduced, it would have implemented two of the Commission's proposals -- those providing for merger of the unliquidated obligations of appropriations made for the same general purpose, and agency payment of claims. As enacted,



Public Law 798 continues the requirement of separate appropriation accounts for two fiscal years after the fiscal year for which the appropriation was made, but provides for improvement of the claim procedures. Implementing regulations have been developed and issued by the General Accounting Office to effectuate certain provisions of this law; others will be issued subsequently by the central agencies involved.

④ The second bill enacted by the 84th Congress -- Public Law 863 (see Appendix VI) -- was signed by the President on August 1, 1956. This was the major legislative proposal on the budget and accounting recommendations of the second Hoover Commission. As introduced, it covered nine of those recommendations, including provisions for gradual conversion to a procedure under which the Congress would appropriate funds in terms of "accrued expenditures," the use of costs in accounting and budgeting in the executive agencies, the improvement of agency allotment practices, and the development of consistency in financial and organization classifications. During consideration of this bill by the Congress the provision for appropriating funds on the "accrued expenditure" basis was deleted. A statement issued by the President when he signed this bill is included as Appendix VII.

⑤ Public Law 863 constitutes an important keystone of this financial improvement effort. It establishes in law a basic principle for Government budgeting and accounting -- the development and use of cost information. It provides an expression of intent on the part of the legislative branch, which together with the President's statement on policies of the executive branch, provides a firm basis for moving forward in the improvement of financial management as rapidly as available resources permit.

#### Pattern of Improvement Effort

⑥ Public Law 863 provides the broad outline of the immediate objectives of the Bureau of the Budget in its work with the operating agencies under the Joint Accounting Program to improve financial management of the executive branch. As indicated above, the various sections of the law as enacted cover the following:

1. Accounting on an accrual and cost basis. Section 2(b) and (c).
2. Budgeting on a cost basis. Section 1.
3. Use of consistent classifications. Section 2(a), items (1) and (2).
4. Justification data by organization. Section 2(a), item (3).
5. Simplification of allotment structure. Section 3.

The more detailed discussion of each of these, as set forth below, provides guides for agency use in the development of needed improvement plans.

Accounting on an Accrual and Cost Basis

Public Law 863 provides that the head of each executive agency shall take steps as soon as practicable to convert the agency accounting system to the accrual basis, including the installation of adequate monetary property accounting records as an integral part of the system. It further provides that such action shall be taken in accordance with principles and standards prescribed by the Comptroller General, with a view to facilitating the preparation of cost-based budgets.

An accrual accounting system is one which gives recognition to the receipt of goods and services and the consumption or use of resources, and reflects the assets and liabilities. In addition, to facilitate the preparation of cost-based budgets, such a system records these transactions on a basis that is integrated with records of obligations incurred as well as disbursements made.

Thus, an accrual accounting system in a Government agency develops information as needed on costs of goods and services used, accrued expenditures, disbursements, and obligations. It incorporates financial controls that are consistent with management responsibilities -- generally providing for broad fund controls in terms of limitations on obligations at a fairly high level of agency operations, and more detailed controls in terms of estimates of specific costs attributable to each of the agency programs.

In contrast to the traditional accounting system in Government, an accrual accounting system provides additional and more useful information, since it reflects not only the availability of funds, but also furnishes data on resources on hand in an agency, and the actual use of such available resources. Cost data on the use of resources are essential to agency management for effective budgeting practices. The costs of a given operation must be known to enable the most accurate determination of funds needed to finance a planned program. Similarly, in carrying out a program, cost information is needed so that these data can be related to work accomplishments and the operating officials may be advised of the progress actually being made on the job, in addition to the rate at which available funds are being used.

In accordance with the principles and standards issued by the Comptroller General, the degree to which the accrual basis will be applied in individual agencies will vary with the kind of operations conducted. The accounting provisions of Public Law 863 mean at a minimum that all agency systems which currently develop only obligation and disbursement data should be refined to produce also at appropriate time intervals information on accrued expenditures -- the cost of goods and services received. Depending on the type of program conducted by the agency, this change in the agency accounting system

may involve further refinement to produce information on the cost of goods and services used, the cost of items procured or produced, or the cost of work in place. The accrual basis should be applied in each case to the extent that the additional information obtained will be more useful to agency management in the conduct of operations, and provide for more complete and accurate disclosure of financial status and the results of agency operations. In all cases, accounting on an accrual and cost basis must be integrated with such other accounting records as are needed to provide for control and information on obligations and to provide for information on disbursements.

#### Budgeting on a Cost Basis

Public Law 863 provides that agency appropriation requests submitted to the Bureau of the Budget shall be developed from cost-based budgets in such manner and at such times as may be determined by the President, and that the Budget transmitted to the Congress shall contain information on program costs and accomplishments at such times as may be practicable. It also directs agencies to use such cost-based budgets internally for administration and operation, and as the basis for making allotments.

Budgeting practices such as these are currently in use in a number of agencies, including four for which cost-based appropriation presentations were made in the 1957 Budget Document. While Public Law 863 was under consideration by the Congress, the Appropriations Committee of the House of Representatives commented, in House Report No. 2638, July 7, 1956, on the further extension of this practice. The Committee said in part:

" . . . There has been a gradual increase, over the past five years, in the number of activities of the Government whose accounts and/or budgets are on a cost basis. It was testified that the current recommendation [of the second Hoover Commission] does not require implementing legislation, and can be accomplished without any basic change in the present method of appropriating funds. Continuation of this evolution, as to significant appropriation items, is recommended and approved by the Committee."

Accordingly, additional cost-based appropriation presentations will be made in the 1958 budget, and this expansion will continue in future years consistent with agency progress in improving existing budget and accounting systems in accordance with Public Law 863. The four presentations of this type in the 1957 budget, and illustrations of the different forms of cost-based appropriation presentations as shown in Bureau of the Budget Circular No. A-11, are furnished in the appendices. (See Appendix VIII.)

As indicated by the Circular No. A-11 illustrations, a cost-based budget relates accomplishments and future work plans to costs in terms of resources consumed, work in place, or, in the case of a procurement program, items procured or produced. Such a budget also identifies the resources on hand which are available for application to the program financed by the appropriation, the value of goods and services that have been ordered but have not been received, and the total obligations required to finance the program. ①

An effective budget system depends on the accurate forecasting of requirements for a planned program. The estimates should be based on past experience as recorded in the accounts and should take into consideration all factors that have a bearing on the financing and conduct of the program under consideration. In the final analysis, despite the other pertinent considerations, an estimate of requirements can only be as good as the basis used. A budget developed through use of cost data obtained from an accrual accounting system provides the most accurate measure of past experience and brings into consideration the use of obligating authority and other pertinent financing factors. It therefore furnishes the most complete disclosure and is of major benefit for review and analysis of a budget request.

The significance of a cost-based budget varies with the type of program conducted by the agency. When inventories and long lead-time programs are involved, the cost-based budget provides its greatest benefit because of the identification of carryovers of available resources from one year to another. In addition, the evaluation of long-range programs can more effectively be made because the accrual basis of accounting identifies the use of resources in relation to the time period involved. In agencies where the carryover of resources is not substantial, the change in presentation resulting from use of a cost-based budget may be relatively minor. In such cases, however, benefits are derived in terms of the more precise budget and accounting practices required for this purpose. ②

In view of the benefits to be derived, cost-based budgets will be used throughout the Government to the fullest extent practicable. This will be accomplished on a gradual basis in accordance with the pertinent provisions in Bureau of the Budget Circular No. A-11, i.e., at such time as the agency involved employs an accrual accounting system that will support such a presentation and provides data useful for its operating purposes and for analysis of budget requirements. Plans in each agency for improvement of financial management should therefore include appropriate provisions for the development of cost-based budgeting procedures, and should give priority attention to those organizations and appropriations for which the conversion would have the greatest significance.

Use of Consistent Classifications

Public Law 863 also provides that each agency, in consultation with the Bureau of the Budget, shall take whatever steps are necessary to develop, insofar as possible, consistent budget and accounting classifications synchronized with the agency's organization structure.

For effective integration of the budgeting and accounting functions, common classifications should be employed for programing, budgeting, accounting, and reporting purposes. In the application of this principle, accounting classifications should be developed that will provide accounting support for the data required for the Budget Document.

Efforts toward development of the desired relationship between the agency budget and accounting classifications should be consistent with the pertinent provisions of Bureau of the Budget Circular No. A-11. For example, the accounts should, to the extent practicable, be correlated with the activity classification used in the Budget Document to provide a firm accounting basis for the activity presentation. Similarly, the accounting system used by the agency should enable development of (a) information for certain uniform classifications of the sources of amounts available, and categories of balances needed for statements in the Budget Document; (b) classifications of data for special analyses in the Budget, such as public works, research and development, investment expenditures; and (c) information for the uniform classification of transactions by object as required in the Budget Document.

With respect to synchronization with the agency's organization structure, this provision does not mean that the budget activity classification and the organizational structure have to be identical, but does require at a minimum that they be systematically related to one another. For example, a single activity classification may be used to cover two or more organization units, provided the basic accounting classifications are susceptible to combination either by activity or by organization.

Justification Data by Organization

In connection with the provision for synchronization between accounting and budget classifications and the organization structure, Public Law 863 also provides that each agency, in consultation with the Bureau of the Budget, shall take whatever action may be necessary to achieve, insofar as possible, support of the budget justification by information on performance and program costs by organizational units.

Where budget activities and organizational units coincide, no special effort is necessary to comply with this requirement. Where they do not coincide, the budget justifications should contain information by organizational units. Generally, this will require by analysis a breakdown by organization unit of financial data for each activity, to enable appropriate disclosure in the justification materials. Similarly, the justifications should break down data on accomplishments, including work measurement information, by organization unit insofar as possible. These justification materials should be presented on a basis consistent with the type of presentation made in the Budget Document. When an agency converts to a cost-based budget in accordance with Public Law 863, for example, the justification material also should be changed to a cost basis.

#### Simplification of Allotment Structure

The Antideficiency Act is amended by Public Law 863 to provide that agencies shall work toward the objective of financing each operating unit, at the highest practical level, by a single allotment from each appropriation or fund involved. (9)

The allotment structure normally represents an administrative subdivision of available appropriations or funds, within the limits of apportionments made by the Bureau of the Budget. The agency regulations that prescribe the system of administrative control required by the Antideficiency Act are subject to the approval of the Director of the Bureau of the Budget.

To conform to Public Law 863, allotments of funds should be made at the highest practicable level, consistent with the requirements of agency management for control of obligations, and any limitations on the use of funds imposed by the executive and legislative branches. Accounting processes other than allotments should be employed to develop necessary operating or management data through use of cost classifications. (10)

The lack of such cost classifications in the traditional accounting system in Government in many cases has led to use of a complex allotment structure that was developed primarily to satisfy a management need for operating information as opposed to being used solely for the intended purpose of controlling available funds. This provision in Public Law 863 is intended to focus agency attention on existing allotment practices and to stimulate improvement action. (11)

Other Phases of Improvement Effort

In addition to the improvements necessary to conform to the provisions of Public Law 863, attention will also be given to any action needed to attain, within the provisions of existing law, the objectives of other recommendations of the second Hoover Commission, and to meet the requirements of the Budget and Accounting Procedures Act of 1950.

To illustrate, the complexities of financial management in Government require close coordination of the budget and accounting functions in an agency. As part of its expanded improvement effort in this field, the Bureau of the Budget will give attention to the existing organization for financial management in the agencies to insure in each case that it is appropriate to the needs of the agency and provides for adequate coordination of budgeting and accounting. The subject of financial organization in the agencies was highlighted in one of the Commission's recommendations that is not covered by Public Law 863. As a result of that recommendation, the budget and accounting legislation initially considered by the Congress provided for the use of comptrollers in executive agencies. This provision was deleted, however, on the basis that a set pattern of organization for this purpose was not applicable in all agencies, and that steps to provide the most appropriate organization for financial management in each agency should and could more effectively be taken by administrative action in the executive branch.

Responsibilities and Assistance

The initiative and the primary responsibility for accomplishment of financial improvements rests upon the head of each agency. The objectives have been set forth in legislation, in Presidential statements, and in the other materials referred to above. The pattern of desired improvements is therefore well defined. The basic problem is essentially one of obtaining effective results as soon as possible.

Efforts toward the improvement of financial management on a Government-wide basis will be coordinated under the Joint Accounting Program. While the initiative and responsibility for accomplishment rests with the individual agencies, staff of the Bureau of the Budget, the General Accounting Office, and the Treasury Department will provide guidance and assistance in the development of necessary improvements to the extent of the resources available for this purpose.

APPENDIX I

RECOMMENDATIONS  
OF COMMISSION ON ORGANIZATION OF THE  
EXECUTIVE BRANCH OF THE GOVERNMENT  
ON  
BUDGET AND ACCOUNTING

Recommendation No. 1

(a) That the Bureau of the Budget expand and make more effective the discharge of its managerial and budgeting functions;

(b) That in order to do this, among other things, it should place in important agencies one or more well qualified employees whose duties should include continuous year-round review, at the site of the agency, of agency budget preparation and administration and other facets of the Bureau's managerial responsibilities; and

(c) If necessary, the Congress should increase the resources of the Bureau of the Budget for that purpose.

Recommendation No. 2

That the executive agencies report annually to the Bureau of the Budget on the conduct of their operations. On the basis of the agencies' reports and other available information, the Bureau should prepare for the President an annual report on performance for the executive branch as a whole.

Recommendation No. 3

That for management purposes, cost based operating budgets be used to determine fund allocations within the agencies, such budgets to be supplemented by periodic reports on performance.

Recommendation No. 4

That the executive budget continue to be based upon functions, activities, and projects adequately supported by information on program costs and accomplishment, and by a review of performance by organizational units where these do not coincide with performance budget classification.

Recommendation No. 5

That the agencies take further steps to synchronize their organization structures, budget classifications, and accounting systems.

Recommendation No. 6

That executive agency budgets be formulated and administered on a cost basis.



Recommendation No. 7

That the executive budget and congressional appropriations be in terms of estimated annual accrued expenditures, namely, charges for the cost of goods and services estimated to be received.

Recommendation No. 8

That legislation committing the Government to continuing expenditures for special programs which are not susceptible to the usual budgetary control ordinarily be enacted for a limited term in order to require periodic congressional review of their usefulness.

Recommendation No. 9

That the Bureau of the Budget keep such programs under continuing review, and the President's budget contemplate amendments to them when their operation conflicts with current budgetary policy.

Recommendation No. 10

That there be established under the Director of the Bureau of the Budget a new Staff Office of Accounting headed by an Assistant Director for Accounting, with powers and duties as follows:

(a) To develop and promulgate an overall plan for accounting and reporting, consistent with broad policies and standards prescribed by the Comptroller General. These broad policies and standards should continue to be developed in cooperation with the executive branch.

(b) To expedite, guide, and assist in the introduction of modern accounting methods in the executive agencies consistent with the overall plan.

(c) To set reasonable but definite time schedules for performance and to watch progress.

(d) To stimulate the building of competent accounting and auditing organizations in the executive agencies and to assist actively in the selection, training, and retention of capable personnel.

(e) To report at least annually to the Budget Director with respect to the status of accounting in each of the executive agencies.

Recommendation No. 11

That as an aid to financial management the position of comptroller be established in the principal agencies and major subdivisions thereof embracing the following duties and functions:

(a) To direct the setting up and maintenance throughout his agency of adequate accounting and auditing systems and procedures in conformity with the provisions of the Budget and Accounting Procedures Act of 1950.

(b) To direct the recruitment, training, and development of qualified accounting personnel.

(c) To develop and be responsible for reliable and informative financial reports for (1) internal management purposes and (2) for issue to the Congress and other executive departments or agencies.

(d) To interpret and advise upon significant aspects of the financial reports.

(e) To direct the preparation, and review execution of budgets prepared at operating levels for the information of top management which is responsible for budget policies.

Recommendation No. 12

That the selection of agency comptrollers and the building of competent accounting organizations in the executive agencies through the selection, training, and retention of capable personnel be an important phase of the guidance and help to be given by the Assistant Director for Accounting in the Bureau of the Budget.

Recommendation No. 13

That the allotment system be greatly simplified. As an objective each operating unit should be financed from a single allotment for each appropriation involved in its operations.

Recommendation No. 14

That Government accounts be kept on the accrual basis to show currently, completely and clearly all resources and liabilities, and the costs of operations. Furthermore, agency budgeting and financial reporting should be developed from such accrual accounting.

Recommendation No. 15

That after appropriate accrual and cost accounting techniques have been established by the Government agencies, the creation or continuation of revolving funds should be reviewed to determine whether they will add to efficient management.

Recommendation No. 16

That the executive agencies accelerate the installation of adequate monetary property accounting records as an integral part of their accounting systems.

Recommendation No. 17

That each department and agency be authorized to maintain a single account under each appropriation title or fund for controlling the amount available for the liquidation of valid obligations.

Recommendation No. 18

That vouchers which are otherwise valid but as to which appropriations have lapsed should not be referred as "claims" to the General Accounting Office, but should be settled within the agencies.

Recommendation No. 19

That the Comptroller General be given the authority to relieve accountable officers of financial liability except where losses result from their gross negligence or fraud.

Recommendation No. 20

That the Bureau of the Budget and General Accounting Office make a study to determine what can be done to eliminate (a) duplicate accounts within the Treasury Department, and (b) duplicate accounting as between the Treasury Department and the various departments and agencies.

Recommendation No. 21

That increased and continuing emphasis be placed upon the review and modernization of central fiscal reports by the Treasury Department to the end that they may meet the changing requirements of the executive branch, the Congress, and the public. These fiscal reports should show the Government's cash position and related cash transactions.

Recommendation No. 22

That Congress consider amending the Budget and Accounting Procedures Act of 1950 to make the Bureau of the Budget responsible for developing comprehensive reports (other than purely fiscal reports) showing the financial results of the activities of the Government as a whole and of its major component activities.

Recommendation No. 23

That in selecting individuals for comptrollership, civilians with broad management and accounting experience and competence be appointed.

Recommendation No. 24

That the comptrollers in the military departments be responsible only to the Secretary of their respective services, and that concurrent responsibility to a Chief of Staff or equivalent be discontinued.

Recommendation No. 25

That the Bureau of the Budget and the General Accounting Office be requested to make an intensive study to determine the adequacy of internal auditing in Government agencies and what steps should be taken to improve it.

EXCHANGE OF CORRESPONDENCE ON  
BUDGET AND ACCOUNTING RECOMMENDATIONS

APPENDIX II

THE WHITE HOUSE  
(April 29, 1956)

The White House released today an exchange of correspondence between the President and Percival F. Brundage, Director of the Bureau of the Budget, with respect to the Hoover Commission recommendations on budget and accounting. Steps have already been taken to put part of these recommendations into effect.

The first recommendation of the Commission report on Budget and Accounting called for an expansion of the Bureau of the Budget in order to make more effective the discharge of its managerial and budgeting functions.

Recommendation No. 10 proposed that there be established under the Director of the Bureau of the Budget a new Staff Office of Accounting headed by an Assistant Director for Accounting with power and duties as follows:

"a. To develop and promulgate an overall plan for accounting and reporting, consistent with broad policies and standards prescribed by the Comptroller General. These broad policies and standards should continue to be developed in cooperation with the executive branch.

"b. To expedite, guide, and assist in the introduction of modern accounting methods in the executive agencies consistent with the overall plan.

"c. To set reasonable but definite time schedules for performance and to watch progress.

"d. To stimulate the building of competent accounting and auditing organizations in the executive agencies and to assist actively in the selection, training, and retention of capable personnel.

"e. To report at least annually to the Budget Director with respect to the status of accounting in each of the executive agencies."

These recommendations have been accepted 100 percent. Assistant Director Percy Rappaport has been placed in charge of a new Staff Office of Accounting and, in collaboration with representatives of the General Accounting Office and the Treasury Department, will strengthen the Joint Accounting Program in order to bring about more rapidly desirable improvements in budget and accounting and management generally. Many of the other proposals of the Budget and Accounting report are also being adopted at once and others are being discussed with the Congress and the other departments of the executive branch.

The letters and accompanying memorandum are attached hereto.

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON 25, D. C.

C O P Y

APRIL 23, 1956

Dear Mr. President:

The Bureau of the Budget has substantially completed its analysis of the recommendations in the Budget and Accounting Report of the Commission on Organization of the Executive Branch of the Government, submitted to the Congress on June 20, 1955. In making that analysis we have had helpful comments from the departments and agencies of the executive branch, your Advisory Committee on Government Organization, and your personal assistant for the Hoover Commission studies, Mr. Meyer Kestnbaum. Transmitted with this letter is a report setting forth the status of our review and outlining the actions that are being taken to carry out many of the Commission's recommendations.

The Commission's Budget and Accounting Report highlights significant problems of financial administration in the Government and sets important and desirable objectives. The Commission is to be commended for its excellent job.

Many of the recommendations endorse constructive efforts which were started following the reports of the first Hoover Commission. The report also supports to a marked degree the current efforts of the Joint Accounting Program conducted by the General Accounting Office, the Treasury Department, and the Bureau of the Budget, with the participation of the executive departments and agencies. While approving the objectives of our work, the Commission suggested additional emphasis and greater concentration of effort in order to bring about more rapidly desirable improvements in budgeting, accounting, and management generally.

In considering the adoption of the Commission's proposals, it must be recognized that they involve the functions and interests of the Congress to a considerable degree because of the Constitutional role of the Congress in the creation and financing of Government programs. Action in the executive branch to carry out some of the Commission's proposals will require the closest coordination with the legislative branch to insure full satisfaction of all of the interests involved.

With the support which the Commission has given, greater progress can be made toward the attainment of many generally accepted objectives. On the report as a whole, we can assure you that the Bureau's work on implementation will proceed as rapidly as its resources permit.

Sincerely yours,

(Signed) Percival F. Brundage

Director

The President

The White House

THE WHITE HOUSE  
WASHINGTON

C O P Y

April 26, 1956

Dear Mr. Brundage:

I have reviewed your analysis of the Hoover Commission's Report on Budget and Accounting, transmitted with your letter of April 23, 1956. Your plans for carrying out the Commission's recommendations represent a constructive approach toward realizing the Commission's objective of strengthening the budget and accounting processes of the Federal Government.

The Hoover Commission's Report on Federal budgeting and accounting is a document of great public significance. I join the citizens of the Nation in thanking the Commission for this as well as for the other important studies which it has made. Moreover, because the formulation and administration of the Federal Budget are vital responsibilities of the Chief Executive, I am especially and personally appreciative of the contribution which Mr. Hoover and his distinguished associates have made in proposing improvements in budget and accounting systems which will enable more effective management and control of the programs administered by the executive branch.

I consider it desirable and necessary that the executive departments and agencies intensify their efforts, along the lines indicated in your analysis, to establish budget and accounting systems that will provide better financial information and enable both the improvement of our budget presentations and the strengthening of our budget controls. In addition, I approve of your plans to have the Bureau of the Budget give greater emphasis in its work to the evaluation and advancement of administration in the executive agencies, as a means of more rapidly bringing about improvement in organization and management, including more effective budgeting and accounting practices, throughout the executive branch.

I commend to the Congress its consideration of those Hoover Commission budget and accounting proposals which are particularly pertinent to the role and functions of the Congress, with the assurance that the executive branch will cooperate fully in actions to strengthen the appropriation and financial control processes of the legislative branch.

Sincerely,

(Signed) DWIGHT D. EISENHOWER

The Honorable Percival F. Brundage  
Director, Bureau of the Budget  
Washington 25, D. C.

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET

Analysis of the Budget and Accounting Report of the  
Commission on Organization of the Executive Branch of the Government

General

The Budget and Accounting Report of the Commission on Organization of the Executive Branch of the Government offers constructive proposals for improving the financial processes of the Government. Consideration of the recommendations in that report by the executive branch has provided an opportunity for the reexamination of many present practices and objectives. It also has led to the development of actions for accelerating efforts to provide budget and accounting systems that will make a more effective contribution to the management of the Federal Government.

The Budget and Accounting Report includes 25 recommendations pertaining to budgeting, accounting and auditing practices, financial and performance reports, financial organization, and related matters. Those recommendations, in general, urge additional emphasis and greater concentration of effort on actions to provide accounting systems throughout the Government that will produce better financial information and on the improvements in budget presentations and controls which better accounting information and systems will make possible. The report also proposes expansion of the Bureau of the Budget in order to enable the more effective discharge of the Bureau's managerial and budgeting functions, with recognition that the strengthening of the Bureau of the Budget has a direct bearing on executive branch leadership toward fulfillment of the Commission's recommendations.

In setting forth the current status of this analysis by the Bureau of the Budget of the several categories of recommendations included in the Commission's report and outlining the actions that are being taken to carry out many of them, this statement makes clear that most of the recommendations or their objectives have the endorsement of the executive branch. Full implementation of many of the basic recommendations will not be accomplished overnight because, as the Commission recognized, the changes needed in agency accounting systems are essentially of a long-range nature. Furthermore, action on a number of the recommendations is primarily dependent upon acceptance by the Congress.

Budgeting

With respect to Federal budgetary practices, the Commission's principal recommendations call for (a) continued use of performance budgeting, (b) formulation and administration of agency budgets on a cost basis, (c) appropriations based on accrued expenditures, and (d) authorization for limited periods of continuing Government programs not susceptible to the usual budget controls.



Performance budget. The first Hoover Commission recommended the adoption of a performance budget, defining it as a budget based upon functions, activities, and projects and contrasting it with former budgets which had focused attention mainly upon such things as personal services, supplies, and equipment. The second Hoover Commission and its Task Force both noted that considerable progress has been made toward achieving a performance budget and recommended further steps to establish such classifications as are necessary to present the budget on a performance basis.

There has been continuous effort for several years to refine budget and accounting classifications in the interest of synchronizing organization structures, budgets, and accounting systems and to encourage the use of performance budgets and reports in agency operations. We are in full agreement with these suggestions of the Commission and propose to intensify our efforts to carry them out.

Agency budgets based on cost. In recommending a cost basis for agency budgets, the Commission wanted these budgets to show the actual and estimated costs of goods and services consumed each year in carrying out budgeted programs rather than be limited to the actual and estimated obligations that are now shown, which take into account but fail to disclose the use of carryovers of inventory and working capital resulting from obligations of prior years. Thus, agency budgets would more readily enable all concerned to relate budget figures for a given year to the cost of work or services performed during that year.

Cost-type budgeting is now used by Government corporations. A few other agencies also present cost-type budgets to the Congress, in instances where the Appropriations Committees have indicated that such presentations are acceptable to them. Those include the Atomic Energy Commission and the Bureau of the Mint whose accounting systems now produce data on the costs of goods and services consumed. A number of other agencies are able to formulate cost-type budgets and have submitted their budgets on that basis for review by the Bureau of the Budget.

We agree with the Commission that the installation of accounting systems which will produce cost information should be expedited; and, as pointed out later in this report, actions are being initiated to strengthen executive branch leadership for improvement of accounting, including steps to stimulate and assist agencies in establishing such accounting systems. Agency accounting systems are not, of course, overhauled overnight but as soon as accounting systems are producing the necessary data on a fully reliable basis proposals for incorporating cost data in the Budget Document can and will be made to the Appropriations Committees.

Appropriations based on accrued expenditures. The Hoover Commission's recommendation that accrued expenditures be used as a basis for appropriations calls for significant changes in present executive branch and congressional practices. Appropriations are now made in terms of obligations, with amounts appropriated serving as a limit on goods and services to be ordered; whereas the Commission favored appropriation of amounts covering goods and services to be received each year, with supplementary congressional authorization and limitation for long lead-time programs as required.

Those agencies able to formulate their budgets on a cost basis now have accounting systems which furnish, at successive stages of their operations, data showing the costs of goods and services ordered, received, and consumed. Such agencies can operate on a basis of accrued expenditure appropriations, and other agencies will be able to do so as soon as accounting systems which can produce information for cost budgeting are installed.

We believe that a change to appropriations on an accrued expenditure basis would be beneficial -- in terms of improving management and strengthening budget controls of both the executive branch and the Congress. There is, however, considerable difference of opinion within the Congress and the executive branch both as to the advantages and disadvantages of accrued expenditure appropriations and as to the methods that would be needed for the financing and control of obligations in advance of appropriations, primarily for long lead-time programs. For this reason we urge that the Congress and the executive branch adopt this as an objective, recognizing that it will necessarily need to be implemented on an evolutionary basis over a considerable period of time.

The Hoover Commission recognized the long-range character of its recommendation when it pointed out that "adoption of this proposal will require administrative changes in the Government's budgeting and accounting procedures, particularly in the Department of Defense, and will require education of those concerned with the budgetary procedures and the working out of the precise mechanics." These procedures and mechanics are among the goals of the Bureau of the Budget and of the Joint Accounting Program. The number of agencies with accounting systems which will furnish the necessary data is increasing each year as progress is made under the Joint Accounting Program, and acceleration of that program should speed the installation of such systems in other agencies. With a basic authorization to proceed with accrued expenditure appropriations, the executive branch and the Congress will be able to proceed more rapidly toward the ultimate objective.

Limited authorization for continuing programs. The Hoover Commission suggested that legislation committing the Government to continuing programs not susceptible to the usual budgetary controls

ordinarily be enacted for a limited term in order to require periodic congressional reviews of their usefulness. The need for periodic review of such programs by the legislative and executive branches is recognized, and the Bureau will, as the Commission suggested, continue to keep such programs under continuing review, proposing legislative amendments whenever necessary to assure their conformity with budget policies.

#### Accounting and Auditing Practices

As already indicated, fulfillment of the Hoover Commission's recommendations for strengthening Federal budgetary practices is largely dependent upon an intensification of efforts to install improved accounting systems throughout the Government. Significant among the Commission's recommendations for improving accounting and auditing practices is a proposal for acceleration of efforts to install adequate monetary property accounting records and maintenance of Government accounts on the accrual basis. The Commission also made proposals dealing with simplification of allotments, use of a single account in each agency for liquidation of obligations and other practices in the settlement of claims, relief of accountable officers in certain instances, and the need for examination of revolving fund and internal audit practices.

Accrual accounting. The Commission's recommendations that Government accounting systems be kept on the accrual basis and that adequate monetary property accounts be included as an integral part of such systems focused attention on the need for a method of accounting which can best assure the development of accurate information on the cost of work or services performed. The accrual method of accounting will disclose the value of resources actually applied to operations performed during a specified period (which is not true of obligation accounts that disclose only the value of goods ordered) and at the same time will provide needed information on the value of resources available for future operations.

We are in agreement with the Commission's proposals. The installation of accrual accounting systems has been a major objective of the Joint Accounting Program, which has made considerable progress in advancing the installation and use of such systems. A sizeable job still remains, but the development of accrual accounting throughout the Government will be given special and increased emphasis by the Bureau of the Budget and the Joint Accounting Program. Such systems are recognized as essential to the efforts that will be made to carry out the Hoover Commission's proposal for developing budgets on a cost basis.

Allotment structure. The goal recommended by the Commission of financing each operating unit from a single allotment for each appropriation involved in its operations is a desirable one. The simplification of

agency allotment structure through the establishment of allotments at highest practicable organizational levels consistent with management responsibility has been a matter of continuing concern, and considerable progress has been made. Further attention in a number of agencies is still needed and will be provided.

Payment of obligations and claims. The Commission's proposal that agencies consolidate their appropriation accounts at the end of a fiscal year in order to reduce the number of accounts from which payments to close out unliquidated obligations are made and its recommendation that the agencies rather than the General Accounting Office settle claims against lapsed appropriations would bring about desirable simplifications. We look with favor upon the Commission's objectives. After several years of work, legislation to accomplish these objectives has been developed by staff of the Joint Accounting Program and is now being considered by the Congress.

Liability of accountable officers. The Commission's recommendation that the Comptroller General be authorized to relieve accountable officers of financial liability except where losses result from their own negligence or from fraud was aimed at eliminating red tape resulting from overcautious practices designed to assure compliance with many prohibitory statutes. Legislation on this subject, somewhat different from the exact proposal of the Commission, was enacted after the Commission's studies had been completed. This legislation, developed by the Joint Accounting Program with our support, is expected, for practical purposes, to attain the results sought by the Commission and at the same time assure ample protection to both the Government and its accountable officers.

Review of revolving funds and internal auditing. The review of agency revolving funds, proposed by the Commission as a means of assuring that they are created and continued only where they will contribute to efficient management, has been and will continue to be carried on as a part of the budget process. The Commission's recommendation that a study be made to determine the adequacy of internal auditing in Government agencies will be considered for initiation by the Joint Accounting Program. That program has actively promoted and assisted agencies in the development of internal audit systems, and the General Accounting Office regularly examines agency internal auditing practices as a part of its comprehensive audits. The proposed study may provide a helpful evaluation of the results being achieved by such systems.

#### Central Financial and Performance Reporting

The Hoover Commission made several recommendations aimed at developing and providing more comprehensive reports on both the financial results and the performance of Government programs. Its recommendations included proposals for increased and continuing emphasis upon the

improvement of Treasury's central fiscal reports, for a special study to eliminate duplicate accounting within the Treasury Department and between that department and other agencies, and also for the development by the Bureau of the Budget of Government-wide reports on executive branch performance and on the financial results of Government operations.

The improvement of central financial reporting is a major continuing activity of the Joint Accounting Program, and work is currently under way on installation of a system designed to eliminate duplicate accounts within the Treasury Department. A working group of the Joint Accounting Program has also developed a new central accounting system, installed last year by the Treasury Department, which will enable action to eliminate certain detailed accounts in the Treasury Department as soon as agency accounts demonstrate that they can supply data needed for essential central financial reports. Intensified efforts to improve agency accounting systems will result in the more rapid elimination of duplicate accounts in the Treasury Department, thus achieving the objective sought by this recommendation of the Commission.

The proposal that the Bureau of the Budget develop central performance reports raises a number of questions on the needs to be served and the specific kinds of reports required to meet the purposes underlying the recommendation. Our prior experience with performance reports suggests several alternative approaches to the Commission's apparent objectives, which may or may not require additions to the reports which are furnished to the President informally throughout the year and more formally when the annual budget is being formulated. Any additions to such reports should be accomplished with a minimum of new demands on the agencies.

We shall continue our review of these matters, including consultation with Treasury officials as appropriate, and will make specific proposals for consideration at a later date. The development of central reports on the financial results of Government operations would constitute a new function for the Bureau, and one that would parallel the central fiscal reporting functions of the Treasury Department.

#### Financial Organization

The Hoover Commission's Budget and Accounting Report proposed the establishment of comptroller organizations in the principal agencies and recommended that the Bureau of the Budget establish an Office of Accounting that would include among its duties the rendering of assistance to agency comptrollers.

The proposal for agency comptrollers, if interpreted to mean the imposition of a fixed pattern of organization upon all agencies, would conflict with the guiding principles of organization which were laid down

by the first Hoover Commission and which have since won wide acceptance in both the executive branch and the Congress. In order that agency heads may be held accountable for agency operations, they must have authority to control the internal organization of their agencies. We believe that there should be effective coordination of agency budget and accounting functions but that the principle of agency head accountability should be maintained and the imposition of a fixed pattern of organization on all agencies should be avoided. We do not believe that the Commission intended that a comptrollership organization such as it described should be made mandatory for all agencies, either by a statutory or Presidential mandate, but rather that the Commission was directing its recommendation to the responsible heads of the agencies for their consideration.

The recommendations regarding the accounting organization and functions of the Bureau of the Budget were designed to strengthen the Bureau's role in the improvement of Government accounting. Until recently the Bureau of the Budget had a small Accounting Group in the Office of Management and Organization, the staff of which acted as the Bureau's representatives in the Joint Accounting Program. We agree that the executive branch should assume greater leadership in the accounting field and believe this would be an important factor in improving coordination of budgeting and accounting in the Government. We also concur that the Bureau's capacity to assist agencies in improving their facilities for financial management should be further developed. As a first step toward these objectives, an Assistant Director of the Bureau of the Budget with many years of experience in public accounting practice has been given the job of developing and supervising an expanded accounting program for the Bureau and of providing leadership on behalf of the Bureau in increasing the impetus to accounting reforms throughout the Government.

Strengthening the Managerial and Budgeting Functions of the Bureau of the Budget

The first recommendation in the Hoover Commission's Budget and Accounting Report proposed that the managerial and budgeting functions of the Bureau of the Budget be strengthened and made more effective. In this connection, it suggested that, if necessary, increased resources should be provided for the Bureau and that some of the Bureau's staff should be physically located throughout the year in the offices of the major agencies.

The Commission's proposal for expansion and strengthening of the Bureau of the Budget is one of major importance to other objectives of the Commission. It has a direct bearing on how fast and how well the executive branch carries out many of the recommendations cited above and, in addition, governs the ability of the Bureau to take appropriate action on recommendations contained in other reports of the Commission -- notably those dealing with paperwork management and general services matters.

The resources currently available in the Bureau do not permit a satisfactory level of accomplishment in its presently assigned functions, much less permitting the expansion called for by the Commission.

The suggestion that Bureau personnel be located in the major agencies must be evaluated in terms of its impact upon Bureau-agency relationships. For best results, the Bureau has found that relationships with the agencies must be based on cooperation and mutual understanding of the basic factors underlying the submission and presentation of agency budgets. Because most agencies believe that the placement of Bureau staff in the agencies would result in a diffusion of agency budget and management responsibilities, adoption of the proposal probably would not contribute to better or more effective relationships between the Bureau and the agencies. Limited attempts which the Bureau has made in the past toward the type of arrangement proposed have met with little success.

We believe that the objective sought by the Commission will be achieved if the Bureau's staff is enlarged and if measures are invoked to increase substantially the proportion of staff time spent in on-site reviews of agency operations. There has been a steady reduction in the staff of the Bureau for the past seven or eight years in the face of a very great increase in work. As one of the results of those conflicting trends the Bureau's staff members have been forced to do more and more of their work behind their desks, with many undesirable results. It is our firm intention to take all possible measures to bring Bureau staff into closer contact with agency operations and employees and thus to correct the undesirable situation that has developed.

The steady reduction in the size of the Bureau's staff has been felt in all of the Bureau's activities, but its most adverse effects have been upon the management functions assigned to the Bureau by the Budget and Accounting Act of 1921, the Budget and Accounting Procedures Act of 1950, and several Executive Orders. The Commission suggested that the Bureau's job of reviewing and promoting improved management and organization throughout the executive agencies should be strengthened. We are in agreement with that suggestion and fully recognize how important it is that the Bureau of the Budget provide, on behalf of the President, continuing attention to the evaluation, development, and promotion of improved organization, coordination, and management in the executive branch.

Additional staff resources for the Bureau will be needed to enable the Bureau to put additional emphasis on its management functions, including the improvement of executive branch budgeting and accounting methods and procedures. Favorable action by the Congress on a proposal by the President for enlargement of the Bureau's staff will enable the Bureau to provide greater help to the President by extending his leadership in improvement of Federal administration and in obtaining better and more economical performance of Government programs.

APPENDIX III

PROPOSED SUPPLEMENTAL APPROPRIATION FOR THE  
BUREAU OF THE BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

---

COMMUNICATION

From

THE PRESIDENT OF THE UNITED STATES

Transmitting

A PROPOSED SUPPLEMENTAL APPROPRIATION FOR THE FISCAL  
YEAR 1957, IN THE AMOUNT OF \$405,000, FOR THE BUREAU OF  
THE BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

---

THE WHITE HOUSE,  
Washington, May 10, 1956

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

Sir: I have the honor to transmit herewith for the consideration of the Congress a proposed supplemental appropriation for the fiscal year 1957, in the amount of \$405,000, for the Bureau of the Budget, Executive Office of the President.

As explained in my message to the Congress of May 10, 1956, the proposed appropriation represents a necessary step in carrying out the recommendations for further improvement in executive branch budgeting, accounting, and management generally which were made by the Commission on Organization of the Executive Branch of the Government, chaired by former President Herbert Hoover. Expansion of the staff resources of the Bureau of the Budget is needed in order that the Bureau may provide, on my behalf, more active central leadership in the advancement of administration in the executive agencies.

Details of this proposed appropriation and the reasons for its submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget.

Respectfully yours,

DWIGHT D. EISENHOWER.



EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
Washington, D. C., May 7, 1956

THE PRESIDENT,  
The White House.

Sir: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1957, in the amount of \$405,000, for the Bureau of the Budget, Executive Office of the President, as follows:

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", \$405,000: Provided, That the limitation under this head in the General Government Matters Appropriation Act, 1957, on the amount available for expenses of travel is increased from "\$70,000" to "\$110,000", the limitation thereunder on the amount available for services as authorized by the Act of August 2, 1946, is increased from "\$20,000" to "\$25,000", and the maximum per diem rate for individuals serving pursuant to said Act is increased from "\$50" to "\$75".

This proposed supplemental appropriation for the Bureau of the Budget is necessary to carry out the decision of the President, based on recommendations of the Commission on Organization of the Executive Branch of the Government (Hoover Commission), to strengthen and make more effective the Bureau's management review and budgeting functions. Approval of the proposed appropriation by the Congress will permit the Bureau of the Budget to accelerate its efforts to bring about desirable improvements in executive branch budgeting, accounting, and management generally, as proposed in the Commission's report on budget and accounting. Through these efforts, the Bureau will increase its activities in the field of management review, and also expand its participation with the General Accounting Office and the Treasury Department in the joint accounting program to improve further accounting practices in the executive agencies in accordance with the objectives of that program.

As provided by section 104 of the Budget and Accounting Procedures Act of 1950, the President, through the Director of the Bureau of the Budget, is "authorized and directed to evaluate and develop improved plans for the organization, coordination, and management of the executive branch of the Government with a view to efficient and economical service." Strengthening of the management review and budgeting functions of the Bureau of the Budget will make it possible to bring about more rapidly desirable improvements in the organization and management in

the executive branch and to obtain better and more economical performance of Government programs. The proposed appropriation will permit employment of specially qualified personnel needed for this purpose. The increases in limitations are needed to permit effective utilization of the additional appropriation.

This proposed appropriation was not included in the budget because a determination as to its necessity and nature was not made until after the executive branch had completed its analysis of the budget and accounting recommendations of the Commission on Organization of the Executive Branch of the Government, which occurred after the budget had been prepared.

I recommend that the foregoing proposed supplemental appropriation be transmitted to the Congress.

Respectfully yours,

PERCIVAL BRUNDAGE,  
Director of the Bureau of the Budget.

APPENDIX IV

FEDERAL BUDGETING AND ACCOUNTING PRACTICES BY THE COMMISSION  
ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

---

MESSAGE

from

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

RECOMMENDATIONS RELATIVE TO A REPORT ON FEDERAL BUDGETING AND ACCOUNTING  
PRACTICES BY THE COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH  
OF THE GOVERNMENT

---

To the Congress of the United States:

The Commission on Organization of the Executive Branch of the Government, headed by former President Herbert Hoover, has set important and desirable objectives for the improvement of Federal administration and for providing more effective methods in the financing and control of Government services. Cooperative action on the part of the legislative and executive branches is required in order to bring about more rapidly the fulfillment of those objectives.

The Commission's report on Federal budgeting and accounting practices is an important contribution toward the attainment of more effective and economical governmental services. It includes significant recommendations showing how the Federal Government can bring about improvements in budgeting, accounting and management practices generally. Because these recommendations pertain to vital responsibilities of the Chief Executive, I am especially and personally appreciative of the contribution which Mr. Hoover and his distinguished associates have made.

BUDGETING AND ACCOUNTING PRACTICES

These recommendations of the Commission have been studied extensively by the executive branch with a view toward identifying all possible actions that can be taken to strengthen the administration of the executive agencies. I have already approved plans developed by the Director of the Bureau of the Budget to intensify efforts of the executive branch toward that objective. These plans include actions to accelerate the establishment and use of modern accounting methods and improved budget presentations and controls. I consider it desirable and necessary that the executive departments and agencies actively and fully participate in carrying out these plans.

The actions being taken by the executive branch to put many of the Commission's proposals into effect will require close coordination with the legislative branch and merit the support which the Congress should and can provide. I urge that the Congress seek the early enactment of appropriate legislative provisions to support the major objectives of the Commission's recommendations.

The initial recommendation of the Commission's report on budget and accounting calls for the strengthening of the management review and budgeting functions of the Bureau of the Budget. This is of signal importance to the attainment of the Commission's objectives in this field. It has a direct bearing on how fast and how well the executive branch carries out the plans which I have approved. Because the resources of the Bureau of the Budget must be increased if it is to provide, on my behalf, strengthened leadership in the improvement of executive branch budgeting, accounting, and other management practices, I am proposing to the Congress a supplemental appropriation to permit an expansion of the Bureau's staff for this purpose.

Today's Government demands the use of the best and most economical methods that can be devised. To that end, we should take full advantage of the constructive proposals put forth by Mr. Hoover and his able associates.

Dwight D. Eisenhower

The White House, May 10, 1956

Public Law 798 - 84th Congress  
Chapter 727 - 2d Session  
H. R. 9593

AN ACT

To simplify accounting, facilitate the payment of obligations, and  
for other purposes

Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled, That (a) the account  
for each appropriation available for obligation for a definite  
period of time shall be closed as follows:

(1) On June 30 of the second full fiscal year following the fiscal  
year or years for which the appropriation is available for obligation,  
the obligated balance shall be transferred to an appropriation account  
of the agency or subdivision thereof responsible for the liquidation of  
the obligations, in which account shall be merged the amounts so trans-  
ferred from all appropriation accounts for the same general purposes;  
and

(2) Upon the expiration of the period of availability for obligation,  
the unobligated balance shall be withdrawn and, if the appropriation was  
derived in whole or in part from the general fund, shall revert to such  
fund, but if the appropriation was derived solely from a special or  
trust fund, shall revert, unless otherwise provided by law, to the fund  
from which derived: Provided, That when it is determined necessary by  
the head of the agency concerned that a portion of the unobligated  
balance withdrawn is required to liquidate obligations and effect ad-  
justments, such portion of the unobligated balance may be restored to  
the appropriate accounts: Provided further, That prior thereto the  
head of the agency concerned shall make such report with respect to each  
such restoration as the Director of the Bureau of the Budget may require,  
and shall submit such report to the Director, the Comptroller General,  
the Speaker of the House of Representatives, and the President of the  
Senate.

(b) The withdrawals required by subsection (a) (2) of this section  
shall be made --

(1) not later than September 30 of the fiscal year  
immediately following the fiscal year in which the period  
of availability for obligation expires, in the case of an  
appropriation available both for obligation and disbursement  
on or after the date of approval of this Act; or

(2) not later than September 30 of the fiscal year  
immediately following the fiscal year in which this Act  
is approved, in the case of an appropriation, which, on  
the date of approval of this Act, is available only for  
disbursement.

(c) For the purposes of this Act, the obligated balance of an appropriation account as of the close of the fiscal year shall be the amount of unliquidated obligations applicable to such appropriation less the amount collectible as repayments to the appropriation; the unobligated balance shall represent the difference between the obligated balance reported pursuant to section 1311 (b) of the Supplemental Appropriation Act, 1955 (68 Stat. 830; 31 U.S.C. 200 (b)), and the total unexpended balance. Collections authorized to be credited to an appropriation but not received until after the transfer of the obligated appropriation balance as required by subsection (a) (1) of this Act, shall, unless otherwise authorized by law, be credited to the account into which the obligated balance has been transferred, except that any collection made by the General Accounting Office for other Government agencies may be deposited into the Treasury as miscellaneous receipts.

(d) The withdrawals made pursuant to subsection (a) (2) of this section shall be accounted for and reported as of the fiscal year in which the appropriations concerned expire for obligation. The withdrawals described in subsection (b) (2) of this section shall be accounted for and reported as of the fiscal year in which this Act is approved.

Sec. 2. Each appropriation account established pursuant to this Act shall be accounted for as one fund and shall be available without fiscal year limitation for payment of obligations chargeable against any of the appropriations from which such account was derived. Subject to regulations to be prescribed by the Comptroller General of the United States, payment of such obligations may be made without prior action by the General Accounting Office, but nothing contained in this Act shall be construed to relieve the Comptroller General of the United States of his duty to render decisions upon requests made pursuant to law or to abridge the existing authority of the General Accounting Office to settle and adjust claims, demands, and accounts.

Sec. 3. (a) Appropriation accounts established pursuant to this Act shall be reviewed periodically, but at least once each fiscal year, by each agency concerned. If the undisbursed balance in any account exceeds the obligated balance pertaining thereto, the amount of the excess shall be withdrawn in the manner provided by section 1 (a) (2) of this Act; but if the obligated balance exceeds the undisbursed balance, the amount of the excess, not to exceed the remaining unobligated balances of the appropriations available for the same general purposes, may be restored to such account. A review shall be made as of the close of each fiscal year and the restorations or withdrawals required or authorized by this section accomplished not later than September 30 of the following fiscal year, but the transactions shall be accounted for and reported as of the close of the fiscal year to which such review pertains. A review made as of any other date for which restorations or withdrawals are accomplished after September 30

in any fiscal year shall be accounted for and reported as transactions of the fiscal year in which accomplished: Provided, That prior to any restoration under this subsection the head of the agency concerned shall make such report with respect thereto as the Director of the Bureau of the Budget may require.

(b) In connection with his audit responsibilities, the Comptroller General of the United States shall report to the head of the agency concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, respecting operations under this Act, including an appraisal of the unliquidated obligations under the appropriation accounts established by this Act. Within thirty days after receipt of such report, the agency concerned shall accomplish any actions required by subsection (a) of this section which such report shows to be necessary.

Sec. 4. During the fiscal year in which this Act becomes effective, and under rules and regulations to be prescribed by the Comptroller General of the United States, the obligated balance of the appropriation account for payment of certified claims established pursuant to section 2 of the Act of July 6, 1949 (63 Stat. 407; 31 U.S.C. 712b), shall be transferred to the related appropriation accounts established pursuant to this Act and the unobligated balance shall be withdrawn.

Sec. 5. The obligated balances of appropriations made available for obligation for definite periods of time under discontinued appropriation heads may, upon the expiration of the second full fiscal year following the fiscal year or years for which such appropriations are available for obligation, be merged in the appropriation accounts provided for by section 1 hereof, or in one or more other accounts to be established pursuant to this Act for discontinued appropriations of the agency or subdivision thereof currently responsible for the liquidation of the obligations.

Sec. 6. The unobligated balances of appropriations which are not limited to a definite period of time shall be withdrawn in the manner provided in section 1 (a) (2) of this Act whenever the head of the agency concerned shall determine that the purposes for which the appropriation was made has been fulfilled; or in any event, whenever disbursements have not been made against the appropriation for two full consecutive fiscal years: Provided, That amounts of appropriations not limited to a definite period of time which are withdrawn pursuant to this section or were heretofore withdrawn from the appropriations account by administrative action may be restored to the applicable appropriation account for the payment of obligations and for the settlement of accounts.

Sec. 7. The following provisions of law are hereby repealed:

(a) The proviso under the heading "PAYMENT OF CERTIFIED CLAIMS" in the Act of April 25, 1945 (59 Stat. 90; 31 U.S.C. 690);

(b) Section 2 of the Act of July 6, 1949 (63 Stat. 407; 31 U.S.C. 712b), but the repeal of this section shall not be effective until June 30, 1957;

(c) The paragraph under the heading "PAYMENT OF CERTIFIED CLAIMS" in the Act of June 30, 1949 (63 Stat. 358; 31 U.S.C. 712c);

(d) Section 5 of the Act of March 3, 1875 (18 Stat. 418; 31 U.S.C. 713a); and

(e) Section 3691 of the Revised Statutes, as amended (31 U.S.C. 715).

(f) Any provisions (except those contained in appropriation Acts for the fiscal years 1956 and 1957) permitting an appropriation which is limited for obligation to a definite period of time to remain available for expenditure for more than the two succeeding full fiscal years, but this subsection shall not be effective until June 30, 1957.

Sec. 8. The provisions of this Act shall not apply to the appropriations for the District of Columbia or appropriations to be disbursed by the Secretary of the Senate or the Clerk of the House of Representatives.

Sec. 9. The inclusion in appropriation Acts of provisions excepting any appropriation or appropriations from the operation of the provisions of this Act and fixing the period for which such appropriation or appropriations shall remain available for expenditures is hereby authorized.

Approved July 25, 1956.



APPENDIX VI

Public Law 863 - 84th Congress  
Chapter 814 - 2d Session  
S. 3897

AN ACT

To improve governmental budgeting and accounting methods and procedures,  
and for other purposes

Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled,

AMENDMENTS TO THE BUDGET AND ACCOUNTING ACT, 1921

Sec. 1 (a) Section 201 of the Budget and Accounting Act, 1921, as amended (31 U. S. C. 11), is further amended by inserting "(a)" after the words "Sec. 201,"; by changing subsection (a) to subparagraph (1); by adding after subparagraph (1) a new subparagraph "(2) at such times as may be practicable, information on program costs and accomplishments"; by changing subsections (b) through (j) to subparagraphs (3) through (11), respectively.

(b) Section 216 of such Act, as amended (31 U. S. C. 24), is further amended by inserting "(a)" after the words "Sec. 216." and by adding the following new subsections:

"(b) The requests of the departments and establishments for appropriations shall, in such manner and at such times as may be determined by the President, be developed from cost-based budgets.

"(c) For purposes of administration and operation, such cost-based budgets shall be used by all departments and establishments and their subordinate units. Administrative subdivisions of appropriations or funds shall be made on the basis of such cost-based budgets."

AMENDMENTS TO THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

Sec. 2 (a) The Budget and Accounting Procedures Act of 1950 is amended by inserting after section 105 thereof the following new section:

"ACCOUNTING AND BUDGET CLASSIFICATIONS

"Sec. 106. The head of each executive agency shall, in consultation with the Director of the Bureau of the Budget, take whatever action may be necessary to achieve, insofar as is possible, (1) consistency in accounting and budget classifications, (2) synchronization between accounting and budget classifications and organizational structure, and (3) support of the budget justifications by information on performance and program costs by organizational units."

(b) Section 113 of such Act (31 U. S. C. 66a) is amended by adding at the end thereof the following new subsection:

"(c) As soon as practicable after the date of enactment of this subsection, the head of each executive agency shall, in accordance with principles and standards prescribed by the Comptroller General, cause the accounts of such agency to be maintained on an accrual basis to show the resources, liabilities, and costs of operations of such agency with a view to facilitating the preparation of cost-based budgets as required by section 216 of the Budget and Accounting Act, 1921, as amended. The accounting system required by this subsection shall include adequate monetary property accounting records as an integral part of the system."

(c) Section 118 of such Act is amended by inserting "113 (c)" after the words "section 111".

#### SIMPLIFICATION OF SYSTEM FOR SUBDIVIDING FUNDS

Sec. 3 Section 3679(g), Revised Statutes, as amended (31 U. S. C. 665 (g)), is further amended by adding at the end thereof the following sentence: "In order to have a simplified system for the administrative subdivision of appropriations or funds, each agency shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit."

Approved August 1, 1956

THE WHITE HOUSE  
(August 1, 1956)

STATEMENT BY THE PRESIDENT

I have today approved S. 3897, "To improve governmental budgeting and accounting methods and procedures, and for other purposes." This new legislation represents a major step forward toward a better budgeting and accounting system throughout the Government. Its enactment was recommended by the Commission on Organization of the Executive Branch of the Government. As originally introduced, however, the bill would have provided for adoption of the accrued expenditure appropriation procedure. Such a provision in law would be highly desirable and would have many benefits both for the legislative and executive branches.

I shall recommend to the next Congress that further consideration be given to the enactment of legislation which will permit the use of accrued expenditure appropriations whenever such procedure is considered appropriate in relation to the improved budget and accounting systems developed under the new law.

###

ILLUSTRATIONS OF COST-BASED BUDGET  
PRESENTATIONS FOR APPROPRIATIONS  
WHERE COST DATA ARE AVAILABLE

COST-BASED BUDGET PRESENTATIONS  
USED IN THE 1957 BUDGET

## Operating Expenses, Atomic Energy Commission

## PROGRAM AND FINANCING

	1955 actual	1956 estimate	1957 estimate
<b>Program by activities:</b>			
<b>Accrued costs:</b>			
1. Source and special nuclear materials.....	\$626,896,217	\$878,524,000	\$1,012,582,000
2. Weapons.....	238,184,541	267,139,000	282,470,000
3. Reactor development.....	109,155,473	159,927,000	234,985,000
4. Physical research.....	44,548,999	51,419,000	65,698,000
5. Biology and medicine.....	28,120,416	29,172,000	31,527,000
6. Community.....	18,977,298	20,065,000	17,950,000
7. Program direction and administration.....	33,953,408	38,016,000	38,327,000
8. Security investigations.....	9,817,431	8,807,000	6,610,000
9. Other costs.....	-10,360,343	5,270,000	6,375,000
Total costs.....	1,099,293,439	1,456,339,000	1,696,460,000
10. Revenues applied.....	-17,167,446	-30,228,000	-33,797,000
Net costs.....	1,082,125,992	1,426,112,000	1,662,672,000
<b>11. Relation of costs to obligations:</b>			
Increase or decrease (-) in selected resources available for future application to activity costs.....	-231,957,950	78,859,772	29,328,000
Total obligations.....	850,168,042	1,504,972,772	1,692,000,000
<b>Financing:</b>			
Comparative transfers from other accounts.....	-21,476,087	-33,641,000	
Unobligated balance transferred from "Plant and equipment, Atomic Energy Commission" (69 Stat. 364, 450).....		-571,409,000	
Unobligated balance no longer available.....	344,931,727	20,000,000	
Appropriation.....	1,098,962,300	575,000,000	1,672,000,000
Reappropriation.....	74,661,382	344,931,772	20,000,000

11. *Relation of costs to obligations.*—The year-end balances of selected resources together with the related changes for the years 1955, 1956, and 1957, are as follows:

	SELECTED RESOURCES			
	1954 actual	1955 actual	1956 estimate	1957 estimate
<b>Year-end balances:</b>				
Inventories (goods unconsumed by activities).....	\$88,514,195	\$103,562,912	\$120,081,849	\$138,734,597
Collateral funds (insurance collateral, employee benefit, and annuity funds).....	23,890,000	22,890,000	21,290,000	21,290,000
Undelivered orders (goods and services on order not yet received).....	738,090,377	492,083,710	556,024,545	569,609,797
Total selected resources.....	850,494,572	618,536,622	697,396,394	729,634,394
Increase or decrease (-) in selected resources available for future application to activity costs.....		-231,957,950	78,859,772	29,328,000

The estimate for 1957 includes \$18.6 million to increase the level of inventories and \$10.7 million to increase the level of undelivered orders. The inventories of various kinds are maintained primarily by contractors to support the operation of Commission-owned production plants and laboratories. The increase in inventories for 1957 is required to support expanding reactor operations. The increase in the level of undelivered orders is related primarily to the continued expansion of the reactor development effort.

— from pp. 116-9 of the 1957 budget

## Operating Expenses, Canal Zone Government

## PROGRAM AND FINANCING

	1955 actual	1956 estimate	1957 estimate
<b>Program by activities:</b>			
1. Civil functions:			
(a) Customs and immigration.....	\$410,807	\$441,700	\$440,200
(b) Postal service.....	1,073,214	1,141,600	1,133,400
(c) Police protection.....	1,524,740	1,594,200	1,568,400
(d) Fire protection.....	553,130	586,000	923,500
(e) Judicial system.....	60,128	68,700	68,600
(f) Education.....	2,772,090	3,069,300	3,101,200
(g) Public areas and facilities.....	1,158,724	1,232,900	1,226,000
(h) Library.....	75,214	88,500	105,200
(i) Internal security.....	102,963	107,800	106,900
(j) Other civil affairs.....	97,332	106,400	106,400
2. Health and sanitation:			
(a) Hospitals and clinics.....	5,133,912	5,357,100	5,413,800
(b) Other public health services.....	702,917	632,800	607,500
3. General government expenses:			
(a) Office of the Governor.....	26,432	50,700	50,700
(b) Other general government expense.....	1,029,614	1,505,200	1,725,000
(c) Adjustment to prior year costs.....	-70,085		
Total costs.....	14,657,130	15,982,600	16,576,500
Relation of costs to obligations:			
Increase or decrease (-) in selected resources available for future application to activity costs.....	\$193,211	-\$46,900	
Depreciation included in activity costs (-).....	-855,872	-877,000	-\$916,500
Total obligations.....	13,994,469	15,058,700	15,660,000
<b>Financing:</b>			
Unobligated balance no longer available.....	23,531		
Appropriation.....	14,018,000	14,500,000	15,660,000
Proposed supplemental due to pay increases.....		558,700	

*Relation of costs to obligations—Change in selected resources available for future application to activity costs.—*

The changes in unapplied resources are derived from account balances shown in the following table:

	1954 actual	1955 actual	1956 estimate	1957 estimate
<b>SELECTED RESOURCES</b>				
Balance, June 30:				
Stores (goods unconsumed by projects).....	\$115,804	\$111,868	\$111,868	\$111,868
Undelivered orders (goods and services on order, not yet received).....	103,210	120,858	73,958	73,958
Adjustment in prior years.....	-55,911			
Accrued annual leave (leave earned and not taken by employees, charged to project costs).....	-1,605,383	-1,481,795	-1,481,795	-1,481,795
Total selected resources.....	-1,442,280	-1,249,069	-1,295,969	-1,295,969
Increase or decrease (-) in selected resources available for future application to activity costs.....		193,211	-\$46,900	

*Depreciation included in activity costs.—*Depreciation accruals on facilities and equipment capitalized under the capital outlay appropriation are included in activity costs. Appropriation requirements are reduced by the amount of such charges as funds are not required for depreciation.

- from pages 631-2 of the 1957 budget

## Salaries and Expenses, Bureau of the Mint

PROGRAM AND FINANCING			
	1955 actual	1956 estimate	1957 estimate
<b>Program by activities:</b>			
1. Manufacture of coins (domestic).....	\$1,617,674	\$1,403,000	\$1,403,000
2. Processing deposits and issues of monetary metals and coins.....	833,963	825,000	825,000
3. Protection of monetary metals and coins.....	716,324	720,000	720,000
4. Refining gold and silver bullion.....	538,007	475,000	475,000
5. Executive direction.....	125,237	127,000	127,000
6. Equipment acquisitions.....	109,196	504,814	100,000
Total costs.....	3,940,401	4,054,814	3,650,000
Relation of costs to obligations: Increase or decrease (-) in selected resources available for application to future ac- tivity costs.....	430,677	-404,814	
Total obligations.....	4,371,078	3,650,000	3,650,000
<b>Financing:</b>			
Appropriation (adjusted).....	4,371,078	3,650,000	3,650,000

*Relation of costs to obligations.*—The increase or decrease (-) in selected resources available for application to future activity costs is derived from account balances in the table below:

	1954 actual	1955 actual	1956 estimate	1957 estimate
Balance, June 30:				
Inventories (goods unconsumed by projects).	\$718,468	\$745,287	\$745,287	\$745,287
Undelivered orders (goods and services on order not yet received).....	77,946	363,975	21,475	21,475
Adjustment in prior years.....	-4,480			
Accounts receivable.....	7,394	74,265	11,951	11,951
Accrued annual leave (leave earned and not taken by employees charged to project costs).....	-523,637	-477,148	-477,148	-477,148
Total selected resources.....	275,702	706,379	301,565	301,565
Increase or decrease (-) in selected resources available for future appli- cation to activity costs.....		430,677	-404,814	

The increase in selected resources for 1955 was due to the purchase of copper contained in silver being returned by the Netherlands Government, undelivered equipment orders, and uncollected reimbursements. Delivery of the equipment and collection of the reimbursements will result in a decrease for 1956.

- from pages 922-3 of the 1957 budget



## Salaries and Expenses, Office of Superintendent of Documents

## PROGRAM AND FINANCING

	1955 actual	1956 estimate	1957 estimate
<b>Program by activities:</b>			
1. Sales distribution.....	\$1,629,287	\$1,710,631	\$1,741,261
2. Distribution for other agencies and Members of Congress.....	541,526	568,826	579,011
3. Depository library distribution.....	427,979	449,245	457,288
4. Cataloging and indexing.....	227,516	238,568	242,840
Total costs.....	2,826,308	2,967,270	3,020,400
Relation of costs to obligations:			
Increase in selected resources avail- able for future application to ac- tivity costs.....	8,417		
Total obligations.....	2,834,725	2,967,270	3,020,400
Less reimbursable obligations.....	31,838	30,000	30,000
Total direct obligations.....	2,802,887	2,937,270	2,990,400
<b>Financing:</b>			
Unobligated balance no longer available.....	22,113		
Appropriation.....	2,825,000	2,850,000	2,990,400
Proposed supplemental due to pay increases.....		87,270	

- from page 35 of the 1957 budget

COST-BASED BUDGET PRESENTATIONS  
SHOWN IN BUREAU OF THE BUDGET  
CIRCULAR NO. A-11

# **COST-TYPE BUDGET STATEMENT FOR CURRENT EXPENSES**

PY-1 - year preceding past year  
PY - past year  
CY - current year  
BY - budget year

Appropriation title: Salaries and Expenses, Bureau of Research,  
Department of Government

## PROGRAM AND FINANCING

	19PY actual	19CY estimate	19BY estimate
--	----------------	------------------	------------------

### Program by activities:

1. Market analysis .....	\$3,104,205	\$2,728,000	\$2,517,400
2. Product manufacture .....	984,026	882,800	874,800
3. Operation of facilities .....	790,449	757,200	750,000
4. Security .....	292,966	287,200	283,000
5. Administration .....	116,641	124,800	124,800
<b>Total costs .....</b>	<b>5,290,287</b>	<b>4,780,000</b>	<b>4,550,000</b>

### Relation of costs to obligations:

Increase or decrease (-) in selected resources available for future application to activity costs .....	-34,806	-20,000	-25,000
<b>Total obligations .....</b>	<b>5,255,481</b>	<b>4,760,000</b>	<b>4,525,000</b>

### Financing:

Unobligated balance no longer available .....	4,519	.....	.....
<b>Appropriation .....</b>	<b>5,260,000</b>	<b>4,760,000</b>	<b>4,525,000</b>

This entry represents the change from start to end of the year in those assets and liabilities which enter into obligations before they become costs, or vice versa, such as inventories, undelivered orders, and accrued annual leave. The method of computation is explained in the schedule on "Relation of Costs to Obligations."

### Relation of Costs to Obligations

### Selected Resources

	19PY-1 actual	19PY actual	19CY estimate	19BY estimate
Balance, June 30:				
Stores (goods unconsumed by projects).....	\$826,680	\$798,123	\$780,000	\$750,000
Advances (payments for goods and services not yet received) .....	160,000	152,765	170,000	185,000
Undelivered orders (goods and services on order not yet received) .....	345,752	334,987	315,000	305,000
Adjustment in prior years .....	-6,735	.....	.....	.....
Accrued annual leave (leave earned and not taken by employees, charged to project costs) .....	-605,891	-600,875	-600,000	-600,000
<b>Total selected resources .....</b>	<b>719,806</b>	<b>685,000</b>	<b>665,000</b>	<b>640,000</b>
<b>Increase or decrease (-) in selected resources available for future ap- plication to activity costs .....</b>		<b>-34,806</b>	<b>-20,000</b>	<b>-25,000</b>

Exclude from this line orders on which advance payments have been made.

(July 27, 1955)

Fig. 5

# **COST-TYPE BUDGET STATEMENT FOR MAJOR PROCUREMENT**

PY-1 - year preceding past year  
PY - past year  
CY - current year  
BY - budget year

Appropriation title: Procurement, Bureau of National Protection,  
Department of Government

PROGRAM AND FINANCING				Analysis of 198Y Financing		
	Costs			Deduct selected resources and unobligated balance, start of year	Add selected resources and unobligated balance, end of year	Appropriation required for 198Y
	19PY actual	19CY estimate	198Y estimate			
<b>Program by activities:</b>						
1. Aircraft .....	\$220,639,826	\$230,627,000	\$242,750,000	\$205,338,000	\$284,377,000	\$321,789,000
2. Real estate .....	25,891,155	26,676,000	27,855,000	8,692,000	5,398,000	24,561,000
3. Ships .....	154,829,804	159,752,000	175,833,000	132,883,000	137,257,000	180,207,000
Total costs .....	401,360,785	417,055,000	446,438,000	346,913,000	427,032,000	526,557,000
Relation of costs to obligations: Increase or decrease (-) in selected resources available for future application to activity costs .....	-7,538,569	23,264,000	150,000,000	<div>This amount must equal the sum of (1) total selected resources at June 30, 19CY, and (2) unobligated balance carried forward at the end of 19CY.</div>		
Total obligations .....	393,822,216	440,319,000	596,438,000			
<b>Financing:</b>						
Unobligated balance brought forward .....	-26,276,216	-76,835,000	-95,381,000	<div>This amount must equal the sum of (1) total selected resources at June 30, 198Y, and (2) unobligated balance carried forward at the end of 198Y.</div>		
Unobligated balance carried forward .....	76,835,000	95,381,000	25,500,000			
Unobligated balance rescinded (79 Stat. 999) .....	12,356,000	.....	.....			
Appropriation .....	456,737,000	458,865,000	526,557,000			

This entry represents the change from start to end of the year in those assets and liabilities which enter into obligations before they become costs, or vice versa, such as inventories, undelivered orders, and accrued annual leave. The method of computation is explained in the schedule on "Relation of costs to obligations."

Exclude from this line orders on which advance payments have been made.

Relation of Costs to Obligations				
	19PY-1 actual	19PY actual	19CY estimate	198Y estimate
<b>Selected Resources</b>				
Balance, June 30:				
Stores (goods unconsumed by projects) .....	\$24,351,205	\$23,179,898	\$25,850,000	\$25,187,000
Advances (payments for goods and services not yet received) .....	170,558,900	144,085,108	160,000,000	275,000,000
Undelivered orders (goods and services on order not yet received) .....	65,521,765	81,308,576	88,237,000	125,358,000
Accrued annual leave (leave earned and not taken by employees, charged to project costs) .....	-24,625,301	-20,305,582	-22,555,000	-24,013,000
Total selected resources .....	235,806,569	228,268,000	251,532,000	401,532,000
Increase or decrease (-) in selected resources available for future application to activity costs .....		-7,538,569	23,264,000	150,000,000

(July 27, 1955)

Fig. 6

# COST-TYPE BUDGET STATEMENT FOR CONSTRUCTION (PUBLIC WORKS)

PY-1 - year preceding past year  
PY - past year  
CY - current year  
BY - budget year

Appropriation title: Construction, Bureau of Public Works, Department of Government

## PROGRAM AND FINANCING

	Total estimate	To 6/30/PY-1	Costs 1967 actual	1967 estimate	1967 estimate	Analysis of 1967 financing	
						Deduct selected resources and unobligated balance, start of year	Appropriation required for 1967 to complete
<b>Program by activities:</b>							
1. Middle Valley project .....	\$870,183,000	\$87,668,119	\$195,412,987	\$190,835,000	\$196,917,000	\$63,351,000	\$71,132,000
2. Columbia Channel dredging .....	153,112,000	75,836,501	21,557,380	21,265,000	20,675,000	10,586,000	12,361,000
3. Arctic Interceptor facilities .....	207,616,000	18,768,398	27,360,511	31,891,000	35,632,000	21,509,000	25,375,000
4. Hilltop Federal building .....	23,097,835	1,366,850	11,566,985	12,508,000	3,656,000	698,000	2,958,000
5. Lakeland Veterans Hospital .....	45,500,000	.....	.....	.....	1,568,000	.....	43,932,000
6. Memorial Parkway .....	75,600,000	6,397,766	4,365,210	5,869,000	6,100,000	4,310,000	6,163,000
7. Seaside National Park facilities ..	75,567,000	8,958,172	10,650,938	13,200,000	18,615,000	10,924,000	15,550,000
<b>Total costs .....</b>	<b>270,923,111</b>	<b>276,569,000</b>	<b>270,923,111</b>	<b>276,569,000</b>	<b>283,193,000</b>	<b>111,381,000</b>	<b>174,723,000</b>

## Relation of costs to obligations:

Increase or decrease (-) in selected resources

available for future application to activity costs .....

Total obligations .....

Comparative transfers from (-) or to other accounts .....

Unobligated balance brought forward .....

Unobligated balance carried forward .....

## Financing:

Appropriation .....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

This entry represents the change from start to end of the year in these assets and liabilities which enter into obligations before they become costs, or vice versa, such as inventories, undelivered orders, and accrued annual leave. The method of computation is explained in the schedule on "Relation of Costs to Obligations."

Exclude from this line orders on which advance payments have been made.

This amount must equal the sum of (1) total selected resources at June 30, 1967, and (2) unobligated balance carried forward at the end of 1967.

This amount must equal the sum of (1) total selected resources at June 30, 1967, and (2) unobligated balance carried forward at the end of 1967.

## Relation of Costs to Obligations

	1967-1 actual	1967 actual	1967 estimate	1967 estimate
<b>Selected Resources</b>				
Balance, June 30:				
Storages (goods unaccounted by projects) .....	\$24,113,593	\$20,598,858	\$23,370,000	\$22,250,000
Advances (payments for goods and services not yet received) ..	2,050,000	3,500,000	1,000,000	10,800,000
Equipment (acquisition value of facilities used on projects, less depreciation charged to project costs) .....	35,189,115	34,056,888	36,652,000	75,400,000
Unfulfilled orders (goods and services on order not yet received) .....	25,650,057	13,527,615	23,197,000	47,123,000
Accrued annual leave (leave earned and not taken by employees, charged to project costs) .....	-10,385,652	-3,563,391	-3,500,000	-10,850,000
<b>Total selected resources .....</b>	<b>76,947,113</b>	<b>63,120,000</b>	<b>76,019,000</b>	<b>174,723,000</b>
Increase or decrease (-) in selected resources available for future application to activity costs .....		-13,827,113	12,899,000	98,704,000

(July 27, 1965)  
Fig. 7